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## Progress Report – Jeruk-3 Appraisal Well

The Jeruk-3 appraisal well is being drilled in the Sampang PSC, offshore Indonesia, approximately 1.8 km west of Jeruk-1 and 40 km south east of Surabaya.

As reported by Santos on 18 May 2006, the Jeruk-3 appraisal well has been flow tested over the open hole interval 4939 m MD to 4978 m MD (4663 m TVDSS to 4696 m TVDSS). This test was curtailed after several hours, prior to the flow and pressure being stabilized, due to a loss of control line pressure.

Following repairs, the well was subsequently re-tested over the same interval. The main flow test was conducted over a 48 hour period, and the well flowed oil at a stabilized rate of approximately 2750 bbl/day with a GoR of approximately 320 scf/bbl through a 16/64" choke, at a well head pressure of approximately 4500 psi.

Flow rates were constrained by surface facility limitations.

The forward plan is to drill ahead to locate the oil/ water contact and to continue the evaluation of the reservoir interval.

The participants in the Sampang PSC and the Jeruk field are:

	<b>Sampang PSC</b>	<b>Jeruk</b>
Santos (Sampang) Pty Ltd (operator)	40.5%	40.5%
Singapore Petroleum Sampang Ltd	36.0%	19.64%
Cue Sampang Pty Ltd	13.5%	7.36%
PT Petrogas Oyong Jatim*	10.0%	10.0%
Medco Strait Services Pte Ltd	0.0%	22.5%

\* subject to finalisation of documentation

Ends

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**Santos stock symbols: STO (Australian Stock Exchange), STOSY (NASDAQ ADR), Ref #82-34 (Securities Exchange Commission)**